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Recession with Inflation

The economy has weakened since the end of last year. Real ouput and productivity have declined. Labor markets and consumer spending have softened. It is widely believed that a moderation in the economy will lead to a diminution in inflation. However, such a result occurs only if the decline in economic activity is caused by a reduction in demand. The present weakness in the economy chiefly reflects an adverse shift in aggregate supply. As a result, inflation has accelerated and interest rates have moved higher.

Economic policy measures have probably been restrictive on balance so far this year. Although the pace of monetary expansion has accelerated since spring, the growth in government expenditures has been sharply reduced.

Real Economic Activity Declines

The economy's output of goods and services has slowed markedly since the end of last year. Real gross national product — that is, GNP adjusted for the effects of price level changes — declined at a 2.4 percent annual rate from the fourth quarter of 1978 to the second quarter of this year.

Moreover, there is reason to believe that output has continued to drift lower since the second quarter. Industrial production — which includes output of mines, factories, and utilities — has declined at nearly a 4 percent annual rate. Cutbacks in automobile production have been a major source of weakness.

Housing starts, another measure of physical activity, have moved downward since June. At 1.8 million units in August, housing activity was more than 10 percent lower than during much of last year. It is probable that new home building has been retarded by high interest rates. Even though mortgage interest rates have moved to historical highs, interest rates in other sectors of the economy have jumped even higher. As a consequence, funds have been diverted from housing.

Demand for Labor Weakens

Employment growth has slowed, reflecting the moderation in real output increases. Since the end of last year, employment has expanded at a 2.4 percent annual rate; by comparison total employment grew 3.6 percent in the preceding year.

Employment would have grown even less rapidly — indeed, it might have declined — if the nation's productivity growth had not fallen away from historic patterns. Since last year's fourth quarter, productivity has declined at a 3.3 percent annual rate. This decline follows subpar productivity gains during the preceding six years. Declines in productivity mean that more labor is required to produce a given level of output.

In part, recent productivity declines are a cyclical development. As business firms cut production in the early stages of recession there is normally a rise in the number of employees relative to plant and equipment usage. In addition to cyclical factors, the sharp and persistent rise in energy prices has rendered a portion of the existing capital stock and the corresponding production process economically inefficient. Increasingly, labor has become an economically efficient substitute for plant and equipment.

Unemployment has moved moderately higher since the end of last year. The rise in unemployment chiefly reflects the slowdown in employment growth. As a portion of the labor force, unemployment jumped to 6 percent in mid-August. The rate had fluctuated around the 5.7 percent level during the preceding half-year. In contrast, the unemployment rate had edged downward in the preceding 3½ years.

Household Spending Adjustments

Consumer spending has slowed markedly thus far in 1979, and its composition has shifted. Retail spending, which is importantly affected by "big-ticket" durables and other discretionary expenditures, has risen at a 4

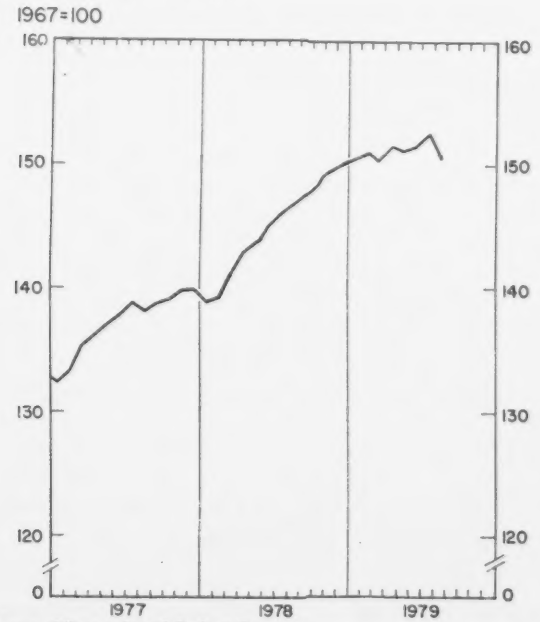
The World Bank and the International Development Association: Increased Food Production I *By Roland W. Bartlett* / *Page 10*

percent annual rate since last December, sharply lower than the 13.5 percent increase last year. The weakening in retail spending is even more dramatic after correcting for changes in consumer prices. Such spending rose about 6 percent in 1978; thus far this year, households have reduced their real retail purchases at more than a 6 percent annual rate.

Total consumer spending, including all nondiscretionary items (such as medical expenditures, food, and housing) has expanded at an 8.6 percent rate this year compared with a 12.4 percent rise last year. In real terms, consumer spending has declined at only a 1.2 percent rate, compared with a 4.5 percent increase in 1978.

In short, consumers are shifting their spending away from those expenditures that can be postponed, and paying what they must for those that cannot be avoided. This adjustment is in response to a sharp slowdown in the growth of real after-tax income. Disposable personal income, adjusted for declines in purchasing power, has risen only slightly since the final quarter of last year; it grew 4.2 percent in the preceding year.

Industrial Production



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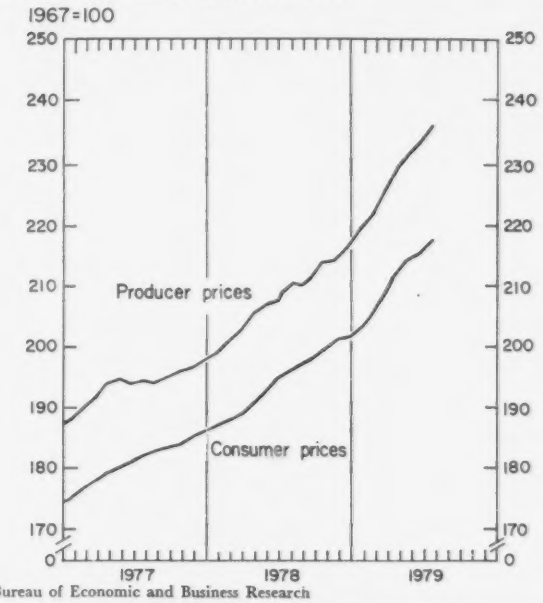
Consumer and Producer Prices



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Price Increases Accelerate

The rate of inflation has accelerated since last December. Consumer prices have risen at more than a 13 percent rate, and producer prices have risen at more than a 14 percent rate. In the preceding year consumer and producer prices rose 9.1 percent and 9.8 percent, respectively. The acceleration in producer prices since spring has centered in prices of industrial commodities. Prices of farm products and processed foods have declined since April, while prices of industrial commodities have jumped upward at nearly a 17 percent rate.

The acceleration in inflation has resulted from an increase in the *relative price* of energy that has been converted into a rapid rise in the *general price level*. As already suggested, the rise in energy prices caused a reduction in aggregate supply; that is, there was an increase in costs at any level of output. To sustain production or to achieve further increases it was necessary for aggregate demand to expand — bringing about a marked rise in the price level. This sequence of events has occurred repeatedly since 1973.

Suppose for the moment that the increases in aggregate demand have resulted from explicit economic policy decisions. Aside from accelerated inflation, what have these measures achieved? First, consider their impact domestically. The rise in *general* prices serves to mask the change in *relative* prices. There is a view that it is less painful, at least in the short run, for individuals and firms to accept increases in wages or prices that are smaller

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than those received by others than it is to accept explicit decreases. To the extent that the illusion of improvement persists, the economy's output of goods and services can be sustained or expanded. At length, the change in the distribution of real income is accomplished in disguise.

Inflation also has an important impact on the US economy's international position. It makes the US economy a less attractive market in which foreigners may purchase goods and services, thereby slowing the growth in US exports. By the same token, domestic inflation encourages the growth in US imports. The nation's worsening trade position has contributed to the persistent deterioration in the value of the dollar compared with foreign currencies.

Just as domestic inflation has served to camouflage the redistribution of real income in the US, it has obscured the international redistribution of income. OPEC's increases in oil prices have expanded the flow of nominal income to oil-exporting nations. In order for an oil-exporting nation to convert increases in *nominal income* into increases in *real income*, that nation must import real goods and services. To the extent that oil-importing nations — such as the US — are experiencing inflation, they deprive oil exporters from gains in real income.

Economic Policy Tightens

It would be astutely Machiavellian for policymakers to induce inflationary increases in demand in order to disguise, distort, and frustrate the redistribution of real income flowing from increases in the relative price of energy. Even so, it is unlikely that these policy moves have been deliberate.

Expansive monetary actions are a case in point. Their stimulative character runs contrary to the stated policy of the Federal Reserve System. Since March the money supply has expanded at more than a 10 percent annual rate. In the preceding year it rose 4.6 percent. Thus, monetary growth has accelerated along with the acceleration in inflation.

At the same time, it is popularly believed that monetary policy has tightened. This belief stems from the notion that a rise in interest rates is importantly influenced by the Federal Reserve. Although it may be well within the Fed's awesome power to change the level of interest rates, outside observers would seldom be wrong if they regarded all interest rate changes as the result of shifts in private demand and supply factors. In the present setting, interest rate movements are probably dominated by swings in the rate of inflation — or expectations of future swings.

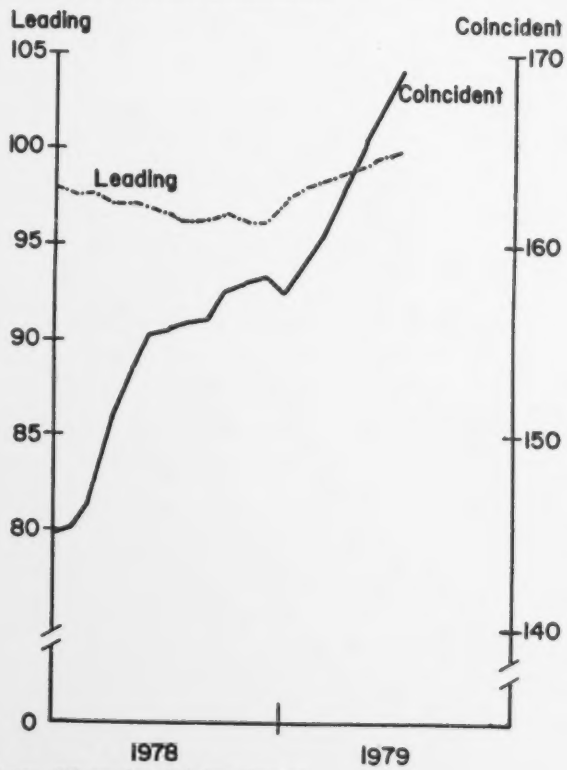
The Federal Reserve tends most often to accommodate shifts in credit demands. Thus, as interest rates rise, money supply growth accelerates; as rates fall, monetary growth slows. Recent and current interest rate increases do not represent restrictive monetary actions. They reflect accelerating inflation. The real rate of interest — that is, interest rates adjusted for expected inflation — has probably fallen in recent months.

Notwithstanding the ambiguous stance of the monetary authorities, overall economic policy actions have probably fostered a restrictive environment. In particular, the growth in government expenditures has been cut back sharply. So far this year government purchases of goods and services have risen at only a 5.5 percent annual rate. By comparison, they rose nearly 10 percent in 1978, and 11.5 percent in 1977. Real purchases (inflation-adjusted purchases) by government have actually declined.

The near-term economic outlook will be dominated by the following features: further rapid increases in prices; higher interest rates; declining real output; slower employment growth; and rising unemployment.

WILLIAM R. BRYAN

Illinois Economic Indicators



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Our two indicators scored small gains in July as some components increased. Average weekly hours rose by a fairly large amount on a seasonally adjusted basis. Building permits have declined since June. After substantial declines in the last few months, weekly earnings increased slightly in July when inflation is taken into consideration. Employees in the agricultural sector increased in July. Although two indicators made some advances in July, the declines in some components suggest that the state economy may have potential weakness. Data for retail sales and the layoff rate were not available at press time.

CHUN-SANG CHEUNG

Local Illinois Developments

Food stamp usage in Illinois outpaced the national experience. While food stamp payments grew nationally at a 17.2 percent average annual rate from 1972 to 1977, payments to Illinois residents increased at a 20.8 percent rate.

The payment of food stamps represents a public assistance type of transfer payment. Total transfer payments to Illinois residents grew in proportion to the national average. Both increased at a 14.9 percent average annual rate between 1972 and 1977. Transfer payments in general serve to redistribute income, thereby shifting spending decisions within an economy. Food stamp payments enable dollars to be freed that would otherwise be going for food purchases, thus enabling the recipient to purchase alternative goods and services. Other major categories of transfer payments include social security benefits, unemployment insurance, medicare and medicaid, and federal pensions.

Examining the growth of food stamp payments or transfer payments in general, two elements can be identified as having substantial impact on their growth — inflation and unemployment. These two factors have led to more persons becoming eligible for food stamps. Thus it is primarily increased numbers rather than increased benefits which have resulted in the rapid rise in these payments.

Food prices have not increased nearly as rapidly as the growth of food stamp payments. Even so, the 9.2 percent average increase in food prices was a major element in payment increases during the 1972–77 period. Actual food stamp payments have been much larger with greater volatility than the steadily rising price of food. This is due primarily to the effects of unemployment. Tracing the movement of food stamp payments mirrors the movement in the unemployment rate over the 1972–77 period. Food stamp payments showed their most rapid rates of increase during the recession in 1974–75, increasing at over a 41 percent average annual rate. During that same period unemployment rose from an average 4.9 percent in 1973 to over an average 8.5 percent rate during 1975. These large jumps in both unemployment and food stamp payments were followed by a leveling-off period during 1976, with both showing declines during 1977. Unemployment dropped to an average 7.0 percent level during 1977 as food stamp payments dropped some 4.5 percent between 1976–77.

An examination of the distribution of food stamp payments by county in Illinois shows Kane County experienced the largest growth in payments during the 1972–77 period, with a 36.8 percent average annual rate of increase. Even with this rapid growth in payments Kane County still has a lower proportion of food stamp usage than its proportional makeup of the state population.

The effects of higher prices and higher levels of unemployment did not appear to affect either Crawford County's or Marshall County's demand for food stamps as both actually registered drops in food stamp usage between 1972–77. Growth rates of some of the other counties include a steep 30.5 percent average annual increase in Sangamon County and a high 23.1 percent average annual rate in Cook County. Peoria and Champaign counties showed much smaller rates of increase with 8.4 percent and 9.9 percent average annual increases respectively.

As might be expected, the greatest part of the food stamp payments to Illinois goes to the residents of Cook County. What is surprising is the level at which the stamps are used in that county. Cook County accounts for a little over 47 percent of the state's population, but on average receives over 71 percent of the total food stamp payments to Illinois. This figure is more interesting when looking at the relative income of the county. Cook County accounts for 57 percent of the state's personal income. Only one other county in Illinois uses proportionately more food stamps compared with the population that could be classified as wealthy by looking at personal income. This is Du Page County, which could be considered the wealthiest county in the State with personal income of its residents accounting for 4.2 percent of the state figure but with a population making up just .5 percent of the State. Even with this large personal income figure Du Page County uses close to .6 percent of all food stamps in Illinois.

Aside from Cook and Du Page counties only 6 of Illinois's 102 counties use more than their populational proportion in food stamps. These counties include Alexander, Gallatin, Hardin, Kankakee, Pope, Pulaski, and St. Clair. The high percentage use of food stamps in these counties is more easily understood in that all of these counties have proportionally low personal incomes. For example, St. Clair County uses an average 4.8 percent of all food stamp payments in Illinois while having a population that makes up just 2.5 percent of the total. However, the personal income generated within St. Clair County accounts for only 1.5 percent of the state's total.

Other counties such as Henry and Marshall also have personal incomes well below their proportional makeup of the state's population, but still manage to keep food stamp usage quite low. Henry County accounts for .5 percent of the state's population with only .29 percent of the state's personal income. It accounts for just .1 percent of total Illinois food stamp payments. Marshall County's lack of dependence on food stamps is even more evident as it has a proportional population makeup six times greater than its proportional usage of food stamps. Differing costs of living, poorly distributed incomes, and attitudes toward accepting public assistance, could all be identified as factors causing such wide variations in food stamp usage among counties.

THOMAS BRYAN

	Food stamp payments (bonus value) (Thousands of dollars)						Percent of state food stamp use 1972-77	Percent of state population 1972-77	Percent of state income 1972-77
	1972	1973	1974	1975	1976	1977			
Illinois	108,567	137,187	204,097	276,127	292,540	279,509	100.00	100.00	100.00
Adams	401	454	672	932	918	972	.34	.62	.53
Alexander	267	344	475	526	536	519	.21	.11	.06
Bond	116	108	185	205	179	187	.08	.13	.06
Boone	101	65	101	336	260	233	.08	.24	.27
Brown	29	32	42	56	49	41	.02	.05	.02
Bureau	102	98	165	188	176	184	.07	.33	.22
Calhoun	41	44	68	74	70	73	.03	.05	.02
Carroll	47	46	74	133	135	143	.05	.17	.08
Cass	60	72	123	144	151	167	.06	.13	.09
Champaign	1,26[illegible]	1,678	2,568	2,545	2,248	2,030	.95	1.50	1.26
Christian	13[illegible]	263	457	496	482	508	.18	.33	.25
Clark	11[illegible]	104	163	218	161	149	.07	.15	.08
Clay	125	104	176	212	196	194	.08	.13	.07
Clinton	111	126	181	264	227	[illegible]06	.09	.27	.14
Coles	231	242	406	531	520	[illegible]16	.19	.44	.35
Cook	70,840	96,915	143,778	196,725	214,996	200,401	71.16	47.25	56.95
Crawford	251	126	192	275	203	215	.10	.18	.15
Cumberland	89	79	137	129	107	114	.05	.09	.03
De Kalb	383	266	625	818	532	592	.25	.64	.43
De Witt	54	53	100	131	131	115	.05	.15	.11
Douglas	100	111	157	167	143	125	.06	.17	.19
Du Page	847	656	1,035	2,542	2,541	2,414	.58	.51	4.23
Edgar	139	109	163	202	205	196	.08	.19	.15
Edwards	45	47	63	59	62	58	.03	.07	.05
Effingham	171	142	209	279	225	215	.10	.26	.21
Fayette	123	120	163	208	194	222	.08	.19	.10
Ford	29	62	86	126	120	113	.04	.13	.12
Franklin	293	512	764	875	875	881	.32	.37	.19
Fulton	195	193	281	342	366	450	.14	.38	.26
Gallatin	107	127	213	188	196	184	.08	.07	.05
Greene	184	190	323	390	334	342	.14	.15	.06
Grundy	81	73	115	186	210	184	.07	.25	.22
Hamilton	108	119	152	152	148	153	.06	.08	.03
Hancock	121	120	183	266	247	289	.09	.21	.09
Hardin	89	100	153	215	178	184	.07	.04	.02
Henderson	61	71	101	107	80	84	.04	.08	.03
Henry	141	121	259	225	252	313	.10	.50	.29
Iroquois	94	124	183	281	229	230	.09	.30	.21
Jackson	677	587	821	801	775	795	.34	.50	.37
Jasper	91	70	80	88	71	76	.04	.10	.08
Jefferson	388	398	677	623	658	653	.26	.32	.25
Jersey	148	124	204	227	173	224	.09	.17	.07
Jo Daviess	52	54	95	115	104	81	.04	.20	.08
Johnson	73	70	127	139	148	149	.05	.08	.02
Kane	744	1,031	1,662	3,554	3,579	3,567	1.09	2.42	2.09
Kankakee	866	1,053	1,569	2,393	2,668	2,960	.89	.85	.71
Kendall	45	50	69	165	141	125	.05	.29	.32
Knox	184	224	309	406	386	462	.12	.54	.55
Lake	2,404	1,640	2,032	3,317	3,484	3,508	1.26	3.72	3.37
La Salle	353	303	427	591	687	689	.24	.97	.83
Lawrence	186	201	270	300	284	298	.12	.16	.10
Lee	203	180	184	246	251	252	.10	.32	.24
Livingston	124	118	201	271	270	305	.10	.37	.29
Logan	57	62	136	221	208	227	.07	.27	.25

	Food stamp payments (bonus value) (Thousands of dollars)						Percent of state food stamp use 1972-77	Percent of state population 1972-77	Percent of state income 1972-77
	1972	1973	1974	1975	1976	1977			
McDonough	112	138	354	385	291	269	.12	.35	.21
McHenry	541	417	652	1,093	826	703	.33	1.19	.75
McLean	688	601	987	966	889	923	.30	1.06	.93
Macon	1,008	1,113	1,708	2,109	2,127	2,225	.79	1.14	1.24
Macoupin	299	256	386	533	547	618	.20	.41	.20
Madison	2,499	2,934	4,598	5,859	5,479	5,950	2.11	2.19	1.76
Marion	483	453	615	850	826	826	.31	.37	.26
Marshall	49	38	52	53	44	46	.02	.12	.07
Mason	73	103	183	271	257	222	.08	.17	.10
Massac	210	192	275	327	347	333	.12	.13	.07
Menard	38	33	59	100	92	88	.03	.10	.06
Mercer	96	160	48	114	128	161	.05	.16	.06
Monroe	148	112	179	231	165	145	.08	.17	.07
Montgomery	160	145	226	320	339	407	.12	.27	.20
Morgan	182	203	393	436	463	472	.17	.31	.31
Moultrie	65	54	73	89	95	88	.04	.12	.08
Ogle	228	330	344	560	597	576	.20	.38	.24
Peoria	1,789	1,826	2,062	2,328	2,485	2,676	1.01	1.80	2.07
Perry	131	123	134	214	205	204	.08	.19	.16
Piatt	38	46	102	143	142	135	.05	.14	.11
Pike	186	170	280	344	333	373	.13	.17	.08
Pope	75	85	122	141	117	137	.05	.04	.01
Pulaski	265	305	422	416	426	415	.17	.08	.03
Putnam	18	18	28	30	25	30	.01	.05	.05
Randolph	187	187	254	352	349	345	.13	.30	.22
Richland	65	74	115	204	185	154	.06	.16	.12
Rock Island	832	954	1,369	1,753	2,050	2,215	.71	1.46	1.87
St. Clair	5,833	7,012	10,847	13,309	12,818	12,326	4.79	2.51	1.53
Saline	261	359	497	578	571	555	.22	.24	.13
Sangamon	799	1,110	2,002	2,452	2,737	2,907	.93	1.56	1.61
Schuyler	44	50	67	76	63	56	.03	.07	.03
Scott	34	34	57	50	53	44	.02	.05	.05
Shelby	149	133	201	254	236	202	.09	.21	.09
Stark	30	39	55	43	44	42	.02	.07	.04
Stephenson	127	150	185	574	514	482	.16	.42	.35
Tazewell	518	476	707	700	806	957	.32	1.15	1.36
Union	138	165	227	311	272	283	.11	.15	.10
Vermilion	799	874	1,424	1,517	1,319	1,360	.56	.87	.82
Wabash	97	73	118	109	101	107	.05	.12	.38
Warren	89	91	136	190	176	214	.07	.19	.14
Washington	67	61	90	113	134	141	.05	.14	.07
Wayne	178	178	261	244	232	241	.10	.16	.09
White	238	235	288	307	305	300	.13	.15	.09
Whiteside	231	240	309	597	509	555	.19	.57	.46
Will	1,252	1,491	2,375	3,822	3,936	4,362	1.33	2.72	1.68
Williamson	463	675	967	1,221	1,039	1,036	.42	.47	.31
Winnebago	2,433	2,228	3,026	4,133	3,987	3,941	1.52	2.15	2.21
Woodford	42	62	84	101	94	105	.04	.28	.14

Source: Bureau of Economic Analysis.

1977 Transfer Payments By Major Source (thousands of dollars)

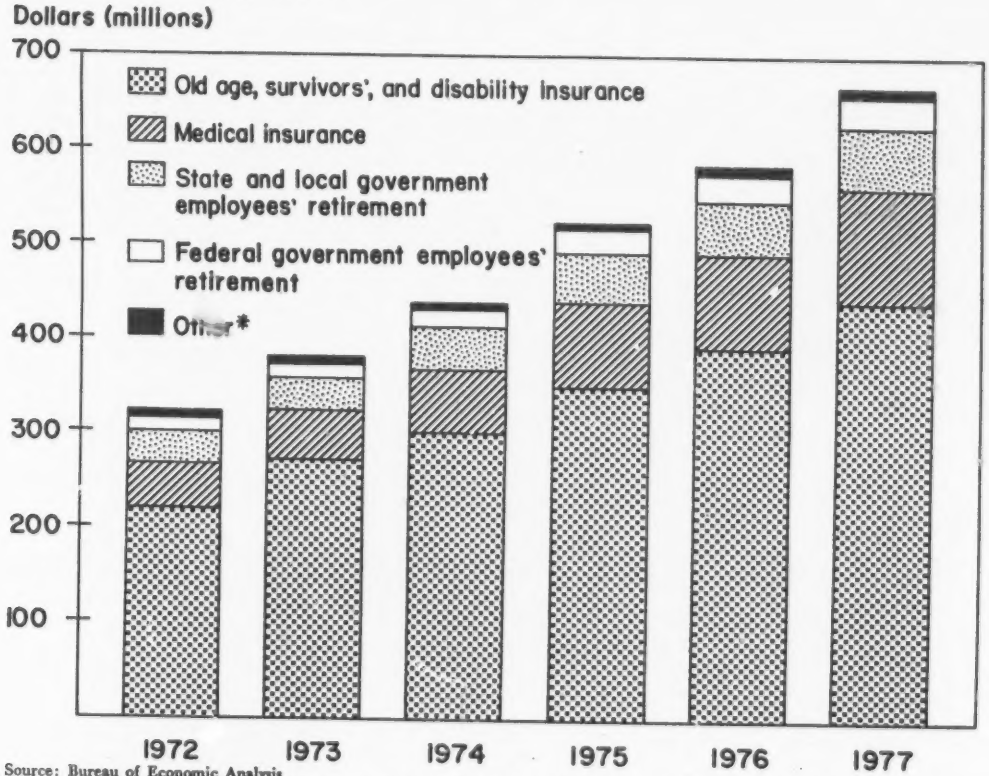
	Total transfer payments	Gov't. payments to individual civilians				Gov't. pay. to ret. mili., vets., and depend.				Payment to nonprofit institutions	Business transfer payments
		Retirement, disability and health insurance	Unemployment insurance	Educational and training assistance payments	Income maintenance payments	Pensions, etc.	Unemployment ins. for vets.	Educ. pay. to vets., depend., and surv.	Gov't. life insurance benefits payments		
US	208,824,000	132,812,200	12,607,000	1,926,800	23,839,000	17,449,000	463,000	3,179,000	982,000	5,505,000	9,631,000
Illinois	10,889,719	6,876,199	978,667	113,664	1,394,697	417,510	22,903	119,012	49,594	323,024	586,875
Adams	73,320	48,984	7,018	782	4,829	4,679	155	807	331	2,024	3,666
Alexander	17,057	9,791	2,176	50	2,957	963	14	71	40	359	629
Bond	15,550	10,300	2,167	289	709	743	28	142	57	423	682
Boone	30,319	12,634	13,391	108	1,007	590	64	333	117	767	1,291
Brown	6,188	4,364	728	23	286	312	7	37	21	161	246
Bureau	37,056	27,252	3,922	149	898	1,375	67	346	156	1,062	1,744
Calhoun	6,444	4,510	675	23	349	384	10	59	24	162	245
Carroll	20,107	15,831	1,166	124	683	650	29	146	68	541	858
Cass	16,066	11,694	1,375	58	862	738	31	156	61	413	668
Champaign	124,341	73,050	9,376	3,423	9,911	12,710	377	1,962	625	4,539	8,268
Christian	42,683	32,724	2,263	158	2,049	1,469	76	394	161	1,074	1,806
Clark	16,186	12,020	889	66	658	1,057	31	157	69	468	760
Clay	16,485	10,970	2,026	60	1,049	1,040	22	116	59	435	698
Clinton	26,277	17,070	3,448	123	885	1,928	69	358	123	874	1,381
Coles	48,074	32,426	3,591	1,838	2,609	2,476	121	624	218	1,457	2,683
Cook	5,606,311	3,348,781	489,310	58,946	1,017,211	154,154	11,030	57,338	24,479	154,230	287,098
Crawford	22,069	16,209	1,349	202	1,018	1,419	36	190	90	583	961
Cumberland	10,164	6,227	1,967	42	411	587	22	111	46	298	448
De Kalb	51,655	34,790	3,892	2,481	1,924	1,613	162	838	287	2,061	3,563
De Witt	15,401	10,883	1,332	68	562	908	36	187	78	489	847
Douglas	15,232	10,517	1,162	80	736	856	36	183	79	575	996
Du Page	355,867	252,661	18,172	3,595	10,559	13,954	976	5,080	2,343	16,117	32,063
Edgar	20,709	14,722	1,249	89	1,250	1,391	34	181	88	628	1,065
Edwards	7,589	5,028	1,142	31	348	383	10	55	26	220	343
Effingham	23,764	16,130	2,066	116	1,312	1,360	43	225	97	821	1,588
Fayette	21,100	14,486	2,280	86	1,160	1,189	34	176	82	607	988
Ford	17,535	12,210	1,599	60	616	1,561	33	167	72	431	776
Franklin	65,655	47,124	7,029	169	4,327	3,249	62	320	168	1,[illegible]	1,9[illegible]
Fulton	43,682	33,055	2,259	248	2,350	1,728	79	410	181	1,249	2,096
Gallatin	9,198	5,550	1,498	27	824	687	12	64	30	196	307
Green	17,870	12,196	1,473	68	1,508	1,060	36	191	76	485	766
Grundy	26,038	16,612	4,980	116	704	957	50	262	121	824	1,396
Hamilton	11,724	7,363	2,154	34	733	719	10	56	32	242	378
Hancock	23,010	17,601	838	332	1,147	1,084	46	248	100	638	963
Hardin	6,940	4,362	944	21	752	442	5	24	17	151	219
Henderson	6,710	4,992	219	34	377	339	21	101	39	245	339
Henry	46,689	34,442	3,007	276	1,642	2,102	107	557	229	1,614	2,680
Iroquois	31,784	24,259	1,714	138	1,237	1,302	65	342	133	976	1,598
Jackson	61,947	37,730	7,021	4,079	4,438	3,104	155	800	234	1,568	2,783
Jasper	9,757	7,148	493	45	422	658	21	100	42	320	503
Jefferson	41,413	26,113	5,879	372	3,385	2,433	50	263	132	1,002	1,765
Jersey	15,721	10,249	1,817	78	922	832	41	213	79	559	918
Jo Daviess	18,710	14,320	983	93	512	831	33	168	77	655	1,025
Johnson	11,005	6,622	1,999	36	868	685	17	93	37	256	387
Kane	225,367	151,089	23,300	1,638	15,248	7,000	565	2,937	1,141	7,804	14,473
Kankakee	99,812	63,550	9,250	1,017	13,422	2,998	203	1,054	413	2,780	5,066
Kendall	15,757	10,714	798	129	448	823	62	322	120	916	1,408
Knox	58,097	40,577	5,390	488	2,904	2,633	127	662	278	1,768	3,231
Lake	288,377	181,922	22,734	2,082	18,260	24,874	775	4,027	1,713	11,030	20,716
La Salle	112,008	79,486	12,943	624	3,645	4,305	219	1,136	493	3,149	5,939
Lawrence	19,669	13,980	1,644	71	1,289	1,165	26	135	71	510	767
Lee	34,553	24,846	3,799	415	1,222	985	57	302	143	1,031	1,732
Livingston	34,816	26,338	1,668	162	1,313	1,419	90	462	177	1,154	2,007
Logan	29,573	22,285	1,577	448	1,097	1,252	50	266	140	900	1,540
McDonough	32,512	20,634	3,709	1,479	1,329	1,480	88	448	149	1,155	2,016
McHenry	98,151	69,978	9,032	599	2,668	3,640	243	1,262	520	3,718	6,412
McLean	87,467	57,545	7,107	3,350	4,482	3,658	222	1,155	427	3,420	6,029
Macon	110,213	69,942	10,545	855	10,516	5,438	277	1,444	587	3,650	6,879
Macoupin	56,405	41,299	5,329	335	2,682	2,501	86	455	189	1,328	2,173
Madison	259,678	165,585	27,508	3,748	25,577	12,133	613	3,179	1,244	7,169	12,694
Marion	58,507	40,023	7,669	328	3,393	3,091	91	467	180	1,156	2,083
Marshall	11,917	8,952	761	55	358	539	29	154	59	394	607
Mason	17,594	12,085	1,080	77	949	773	24	125	62	545	892
Massac	17,033	10,637	2,259	56	1,774	1,182	31	162	68	402	653
Menard	11,401	8,344	918	44	603	518	22	116	44	316	471
Mercer	15,162	11,250	1,084	72	609	623	29	153	63	519	749
Monroe	16,692	11,828	1,632	77	657	816	33	171	78	549	839
Montgomery	36,578	25,659	4,315	135	1,642	1,386	59	298	132	894	1,569
Morgan	37,258	25,049	3,710	535	2,658	1,715	71	371	154	1,035	1,937
Moultrie	13,691	10,351	746	52	604	721	28	141	55	372	612
Ogle	33,399	24,265	1,760	174	2,011	1,163	91	469	178	1,236	2,025
Peoria	185,209	126,073	14,758	1,857	14,081	6,749	460	2,390	940	5,785	11,267
Perry	25,356	17,202	3,472	112	1,160	1,452	40	205	89	610	1,001
Piatt	13,885	10,619	400	65	562	788	26	135	63	467	749
Pike	21,176	15,434	1,295	77	1,491	1,096	43	222	83	552	870
Pope	5,318	3,232	734	16	579	407	7	33	16	119	174
Pulaski	12,562	7,505	1,136	243	2,351	601	9	46	23	267	377
Putnam	5,190	3,660	773	21	102	158	10	60	26	150	227

1977 Transfer Payments By Major Source (thousands of dollars) (continued)

	Total transfer payments	Gov't. payments to individual civilians				Gov't. pay. to ret. mili., vets., and depend.				Payment to nonprofit institutions	Business transfer payments
		Retirement, disability and health insurance	Unemployment insurance	Educational and training assistance payments	Income maintenance payments	Pensions, etc.	Unemployment ins. for vets.	Educ. pay. to vets., depend., and surv.	Gov't life insurance benefits payments		
Randolph	34,387	23,450	4,005	142	1,428	2,151	83	427	150	945	1,584
Richland	16,636	11,394	1,358	245	1,004	997	29	151	63	499	885
Rock Island	151,180	108,649	8,538	1,209	9,947	6,135	377	1,955	780	4,767	8,718
St. Clair	299,734	157,799	27,516	2,648	62,847	22,475	611	3,181	1,261	8,057	13,138
Saline	42,942	29,917	4,862	355	2,978	2,267	46	242	116	785	1,358
Sangamon	186,187	130,813	15,283	1,351	13,002	8,404	338	1,747	755	5,002	9,383
Schuyler	8,549	6,029	858	33	370	509	15	86	35	233	377
Scott	6,073	4,397	517	24	261	315	12	65	24	175	279
Shelby	21,490	15,172	1,763	95	1,060	1,323	45	237	94	672	1,015
Stark	6,689	5,323	53	30	284	345	19	94	35	211	291
Stephenson	41,663	29,319	3,705	342	2,003	1,599	100	520	199	1,373	2,474
Tazewell	94,795	65,234	8,018	520	4,703	3,786	289	1,500	589	3,699	6,376
Union	22,907	13,972	4,182	68	1,802	1,345	33	173	72	483	766
Vermilion	100,646	63,858	12,766	792	7,313	6,120	195	1,019	476	2,911	5,133
Wabash	11,851	8,250	636	189	737	786	24	118	55	394	653
Warren	20,361	14,745	1,209	228	1,302	864	40	204	85	621	1,050
Washington	16,325	11,159	2,273	61	579	915	29	156	54	438	651
Wayne	19,271	12,221	3,090	70	1,201	1,094	31	156	71	498	828
White	20,746	14,533	1,854	69	1,394	1,253	28	143	73	496	892
Whiteside	50,309	35,766	3,456	311	2,915	1,747	122	636	249	1,863	3,204
Will	211,604	130,246	27,315	2,115	17,396	7,049	529	2,756	1,148	8,628	14,178
Williamson	73,358	48,685	10,806	464	4,343	3,950	110	570	238	1,497	2,662
Winnebago	199,328	130,712	15,288	1,394	19,614	7,537	570	2,963	1,117	7,047	12,926
Woodford	20,903	15,846	443	237	792	814	59	298	113	884	1,400

Source: Bureau of Economic Analysis.

Retirement, Disability, and Health Insurance Payments to Illinois Residents, 1972–77



Source: Bureau of Economic Analysis
* "other" includes workmen's compensation benefits to retired and disabled railway workers, black lung payments, and other government disabled and insurance payments.

Comparative Economic Data for Selected Illinois Cities, July 1979

	Building Permits[1] (000)		Electric Power Consumption[2] (000,000 kwh)		Postal Receipts[3] (000)		Employment[4,5] (000)		Estimated Work Force Unemployed (percent)[4,5]	
	July 1979	% change from July 1978	July 1979	% change from July 1978	July 1979	% change from July 1978	July 1979	% change from July 1978	July 1979	July 1978
ILLINOIS	$ 255,005[a]	+38.8	3,644.7[a]	-0.7	$ 45,274[a]	+6.4	4,874.7	+2.9	5.2	5.2
NORTHERN ILLINOIS										
Chicago	$ 148,884	+38.1	1,787.8	-0.6	$ 34,627	+6.8	3,265.0	+1.0	5.7[d]	6.0
Aurora	7,075	+66.7	116.3	-18.5	616	+16.4	38.2	+1.0	5.1	5.8
Elgin	2,064	-73.5	95.3	+5.1	652	+9.0	27.9	+1.0	5.9	6.7
Joliet	1,771	-18.9	392.7	+5.1	316	-4.8	46.8	+1.0	5.4	6.1
Kankakee	579	+120.1	73.3[b]	+7.1	198	-15.0	37.2[d]	-0.5	9.8[d]	8.6
Rock Island-Moline	3,164	+5.9	131.9[c]	-2.9	1,097	+19.8	177.5[d]	+2.3	4.3[d]	5.4
Rockford	11,052	+189.3	173.9	+10.2	890	+6.9	132.5[d]	+1.9	5.6[d]	5.4
CENTRAL ILLINOIS										
Bloomington-Normal	$ 8,684	+185.7	52.7	-7.7	$ 911	+1.2	54.9[d]	-4.1	4.7[d]	4.6
Champaign-Urbana	1,508	-55.0	56.3	-0.7	580	-9.5	74.9[d]	+6.2	5.1[d]	5.3
Danville	855	+36.1	46.6	-0.4	193	-9.8	18.9	-1.5	7.8	8.1
Decatur	2,182	-81.1	126.9	-2.6	478	-0.6	56.5[d]	-1.5	6.8[d]	6.6
Galesburg	5,727	+235.8	30.4[b]	-7.5	132	-20.4	15.5	-5.4	7.6	7.3
Peoria	38,709	+676.8	201.1	+2.8	1,255	-6.5	169.3[d]	+0.3	5.3[d]	5.3
Quincy	1,134	+200.0	43.0	-4.2	228	+4.5	42.9	-1.3	5.6	6.9
Springfield	17,141	+272.5	137.0	-8.6	2,157	+16.5	91.0[d]	-2.6	6.2[d]	5.7
SOUTHERN ILLINOIS										
East St. Louis	$ n.a.	n.a.	26.2	-19.3	$ 168	-0.5	23.2	+3.5	12.6	10.1
Alton	359	-29.0	84.2	+0.5	137	+7.0	15.7	+3.2	7.8	7.2
Belleville	1,454	+8.2	32.2	-9.2	358	+21.7	20.3	+3.5	5.4	4.2
Carbondale-Murphysboro	2,664	+22.8	36.9	-1.6	281	-2.0	13.5[e]	n.a.	10.2[e]	8.4

[1]Local sources; data include federal construction projects. [2]Local power companies. [3]Local post office reports; accounting period ending 10 August 1979. [4]Illinois Department of Labor; preliminary. [5]Data for June 1979 compared with June 1978.

[a]Total for cities listed. [b]Includes immediately surrounding territory. [c]Includes East Moline. [d]Data for standard metropolitan statistical area.

[e]Data for Carbondale township.

The World Bank and the International Development Association: Increased Food Production I

ROLAND W. BARTLETT

There has been a more rapid increase in the world's population than in food production. This presents a basic problem. The World Bank and the International Development Association (IDA) have initiated activities in over 80 countries designed to aid in resolving this problem and to improve living standards. There is evidence that the World Bank/IDA projects have been helpful, and offer promise for the future. Food production and incomes have already been increased substantially in several countries where World Bank/IDA projects were initiated several years ago. Examples of this are Cameroon, Upper Volta, and India.

Massive contributions by countries throughout the world are concrete evidence of the respect of these countries for the expertise of the World Bank/IDA personnel in initiating, carrying out, and monitoring their projects. In 1978 the total cost of 236 projects initiated by the World Bank/IDA was $31.9 billion. Loans and credits from the World Bank/IDA in 1978 were $8.4 billion, or only 26 percent of the total. Hence, 74 cents of every dollar invested in these projects in 1978 came from countries where the projects are located or from outside countries. Individual countries contributing to World Bank/IDA projects in low-income countries in 1978 were Australia, Canada, France, Germany, Iran, Italy, Kuwait, Netherlands, Norway, Nova Scotia, Sweden, United Kingdom, and the United States. These contributions were in addition to their investments in the World Bank.

Successful World Bank/IDA Projects

Cameroon has participated in several World Bank/IDA projects. Cameroon, located on the west coast of Africa, is an area larger than California. In 1975, it had a population of 6,398,000 and a gross national product of $290 per person, or slightly under the $325 average for western Africa. Cocoa and rubber are among its agricultural exports.

An IDA project to expand rice production and increase incomes of small farmers was initiated in Cameroon in 1972. This activity has resulted in a large expansion in rice production on 11,000 acres along the Logone River in northern Cameroon by irrigation, flood control, double-cropping, and improved transplanting methods. A new rice mill has been constructed in this area and several roads upgraded. By 1985 rice production in this area alone could meet 40 percent of Cameroon's expected demand. Incomes of some 13,000 small farmers were increased fivefold as a result of this activity. IDA gave a $3.7 million credit, or 49 percent of $7.6 million, the total cost for this project. The other 51 percent or $3.9 million, was contributed by the Cameroon government. Success in the rice project paved the way in 1975 for initiation of a large cocoa project and of a rubber project.

In 1975, the World Bank initiated a project in Cameroon to improve the productivity of 123,000 acres near Yaounde used to produce cocoa. As soon as expanded cocoa production gets underway, incomes of some 32,000 farm families may be increased substantially.

Expertise of the World Bank/IDA in setting up, carrying out, and monitoring its projects appears to be helpful in attracting outside funds. The World Bank is loaning only $6.5 million, or 27 percent of the cocoa project's total cost of $23.8 million. The remaining funds are being provided jointly by the French agencies, Caisse Central de Cooperation Economique and Fonds d'Aide et de Cooperation, and the local Cameroon government. In essence, the French agencies and the Cameroon government are assuming the "risk" costs of this cocoa project, with Cameroon making use of World Bank personnel to ensure wise use of funds.

Under an IDA project begun in 1975, around 15,000 acres in Cameroon will be cleared and planted with high-yielding rubber. Credits of $16.0 million, or 56 percent of its total cost of $28.5 million, were obtained from IDA. The remaining costs were financed jointly by a French agency and the Cameroon government. It is estimated that the estate will have a peak production of 13,000 tons of rubber annually once the new plantings come into full production. Around 3,000 farm families will be provided with improved housing, health, education, and social facilities, as a result of increased income from this project.

World Bank/IDA have extended their activities to projects other than rice, cocoa, and rubber. In 1974, the World Bank made a loan to Cameroon to develop livestock products of 150 private ranches and farms, and of three 50,000-acre ranches. The dreaded tsetse fly will be cleared from 2 million acres included in these ranches and farms.

In 1978, the World Bank made a loan to establish

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a new palm oil estate in Cameroon to meet the rising domestic demand for palm oil and also inaugurated a program for the development of small holdings. In addition to increasing the food supply, each successful project materially improved living standards of those employed in carrying out the project.

The *Upper Volta* has benefited from World Bank/IDA projects. Upper Volta is located in an inland plateau region in West Africa. It is approximately the size of Colorado, having a population of 6,032,000 in 1975 and a GNP of $110 per person. Its GNP was thus only a third of the $325 average for western Africa. Over 90 percent of the people in Upper Volta are subsistence farmers, with cattle and sheep being their principal export.

In 1972 the IDA began what it termed a "new-style" project. This consisted of a series of small-scale actions, including 250 wells dug to provide clean water for domestic use; 650 village warehouses built to store grain; 3,700 acres of land improved through soil and conservation measures; and 240 miles of feeder roads upgraded. These results were obtained under the strong leadership of the Upper Volta Project Authority, the regional development associations, and labor donated for construction activities by local communities. The success of this project has paved the way for several new agricultural projects in Upper Volta since then.

The climate in Upper Volta is extremely dry. Prior to any assistance from IDA, an irrigation project was initiated from a United Nations Special Fund, using water from the Black Volta, the White Volta, and water pumped from underground. The IDA 1972 Upper Volta project was successful in providing well water, building village warehouses, and improving the productivity of the land and building feeder roads.

The success of the 1972 project helped to generate large contributions from outside countries and agencies in funding a $17.2 million IDA agricultural project in 1977 supplementing an IDA credit of $3.6 million and $1.6 million of Upper Volta government funds. The remaining $12 million was provided by Canada, the Arab Development Fund, and the Swiss Technical Cooperation.

This project was directed toward several purposes: to increase the production of cotton and cereals; to initiate simple irrigation systems to increase the production of rice, other grains, and vegetable products; to construct a granary; to build village grain storage facilities; to build a training center for extension workers; to construct feeder roads; and to introduce labor-saving devices to improve the condition of women. It is estimated that 46,500 farm families will benefit from this project.

Cattle production is a major industry in Upper Volta. In 1975, the IDA initiated a study to improve its efficiency by introducing more up-to-date commercial ranching in place of traditional methods. This was to be brought about by establishing a ranch development center and nine group ranches; constructing a livestock market; providing improved veterinary services; and upgrading 456 miles of stock routes. It has been estimated that 330,000 cattle producers will benefit by this project.

Between 1974 and 1978, the World Bank/IDA initiated four agricultural projects in Upper Volta. Bank/IDA loans or credits for these projects were $30 million, or 56 percent of their total cost.

India has benefited from World Bank/IDA programs. India, a member of the British Commonwealth, has been an independent republic since 1951. One-third the size of the United States, in 1975 it had a population of 608,072,000, or nearly three times that of the US. Its GNP in 1975 was $140 per person, or about the same as the $137 average of South Asia.

The foundation for successful World Bank/IDA projects to expand food production and improve living standards in India was laid between 1952 and 1973 by six US land-grant universities and various private foundations. During this period 339 men and women from these universities spent a total of 600 man-years to improve institutions and increase food production in India. Nine land-grant universities were established, built on a research, teaching, and extension program similar to that used by land-grant universities in the US. The American institutions which sponsored the universities in India were the Universities of Illinois, Ohio State, Tennessee, Missouri, Kansas State, and Penn State.

World Bank/IDA projects have also resulted in increased food production. Major attention has been centered on providing improved farm credit, getting more water for crops, improving seed and cropping practices, building grain storage facilities, upgrading roads, and training people in each locality to use practices to improve their standard of living.

Increased availability of farm credit is essential for most needed changes. More water is probably most important in increasing food production. Machinery is necessary to dig wells, electric pumps are necessary to pump underground water, and lining of irrigation ditches is often necessary to conserve water. In some areas a new dam is needed to conserve water between seasons.

To prevent famine, village storage facilities are necessary to store grain from good years to bad years. Upgrading of roads is vital to prevent starvation in remote areas. Some projects help to improve the diet by expanding the production of fish, milk, and fruit.

Between 1970 and 1978, the World Bank/IDA initiated 46 agricultural projects for increasing food production and improving living standards in India. The total cost for these projects was $3.6 billion; the Indian government contributed $1.7 billion and the World Bank/IDA $1.9 billion, or 53%.

Partially reflecting these projects, in 1976 and 1977, the growth in food production in India was greater than the growth in birthrate. High food production in both years resulted in part from favorable monsoons. Also between 1955 and 1974 there was a 17 percent decline in the birthrate, partly because of birth control programs of Prime Minister Gandhi.

In this article, attention has been directed toward World Bank/AID assistance to three specific countries. Another approach to discussing the operations of these agencies is to concentrate on the types of assistance they

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offer. In a subsequent issue there will be a presentation of assistance geared toward transportation systems, power projects, industrialization, water and sewage systems, services, education, and nutrition.

1977 Income and Employment Data Available

Detailed BEA income and employment data are available for each of the 102 counties and 10 SMSAs of Illinois for 1971 through 1977. A charge of $20 will be made for the entire set to cover xeroxing and handling costs. A minimum charge of $2 will be made for individual county requests totaling 3 counties or less, and $1 per county for additional counties requested. A charge of $12 will be made for the 1977 transfer payment data for the 102 Illinois counties. Those interested in obtaining the data may write to the Bureau of Economic and Business Research, University of Illinois, 428 Commerce West, Urbana, Illinois, 61801. Please make check payable to the University of Illinois.

Illinois Business Indexes

Item	July 1979	June 1979	May 1979	April 1979	July 1978
Leading indicator (1969=100)	99.7	99.1	98.7	98.4	96.5
Coincident Indicator (1969=100)	169.1	167.1	165.4	162.9	155.6
Employment-manufacturing (in thousands)[1]	1,263.5	1,256.3	1,264.7	1,245.9	1,241.2
Average weekly hours-manufacturing[1]	40.3	41.0	40.6	39.4	39.3
Weekly earnings-manufacturing[1]	$299.6	$298.7	$293.3	$281.1	$267.1
Layoff rate-Chicago[1]	n.a.	0.5	0.5	0.4	0.2
Ordinary life insurance sales (in millions)[2]	$1,476	$1,476	$1,548	$1,462	$1,169
Retail sales (in millions)[3]	n.a.	$3,815	$3,896	$3,961	$3,601
Coal production (in thousands)[4]	4,561	5,600	5,581	4,947	4,417
Petroleum production (in thousands)[4]	1,880	1,825	1,945	1,866	2,042
Vendor performance (percent)	60	73	76	76	56
Building permits (in thousands)[5]					
Residential housing units	3.74	5.47	6.39	4.30	6.22
Value of residential housing	$302,921	$234,120	$240,011	$178,204	$237,077
Value of nonresidential housing					
Industrial buildings	$53,019	$44,102	$58,433	$35,534	$32,863
Office, banks, and professional buildings	$57,543	$59,636	$51,624	$41,366	$11,466
Stores and other mercantile buildings	$30,432	$30,894	$43,665	$31,985	$20,196
Other	$98,707	$38,396	$61,768	$36,954	$26,402
Consumer price index[1]					
North Central US	n.a.	217.7	n.a.	215.0	201.4
Chicago	217.4	213.5	210.1	206.7	n.a.
North Central/population more than 4,000,000	n.a.	218.2	n.a.	215.7	n.a.
North Central/population 385,000 to 1,250,000	n.a.	218.0	n.a.	213.1	n.a.
North Central/population 75,000 to 385,000	n.a.	216.8	n.a.	214.0	n.a.
North Central/population less than 75,000	n.a.	216.6	n.a.	214.1	n.a.
	1979:1	1978:IV	1978:III	1978:II	1978:I
Personal income (in millions)	104,625	101,770	99,795	97,171	96,325

[1]Ill. Dept. of Labor. [2]Life Ins. Agcy. Manag. [3]U.S. Bureau of Labor Statistics. [4]U.S. Dept. of Commerce. [5]Ill. Dept. of Mines. [6]Ill. Geol. Survey.

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